

## Message Text

UNCLASSIFIED

PAGE 01 BERN 00135 01 OF 02 131841Z

43

ACTION EUR-12

INFO OCT-01 AF-06 IO-11 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

LAB-04 SIL-01 L-03 H-02 PA-02 PRS-01 /118 W

----- 077429

R 131350Z JAN 76

FM AMEMBASSY BERN

TO SECSTATE WASHDC 1964

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS UNN

USMISSION GENEVA

USDEL MTN GENEVA UNN

AMCONSUL ZURICH

UNCLAS SECTION 1 OF 2 BERN 0135

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, ECON, SZ

SUBJECT: SWISS FINANCIAL AND ECONOMIC REPORT: WEEK OF JANUARY 4-10

1. SUMMARY: LOWER US INTEREST RATES CONTRIBUTED TO A NET WEAKENING OF THE DOLLAR THIS WEEK, AND, UNCERTAINTY ABOUT IMF GOLD SALES DEPRESSED GOLD PRICES. THE DOMESTIC MONEY AND CAPITAL MARKETS WERE MORE LIQUID THAN EVER AT THE BEGINNING OF THE YEAR, AND SWISS INTEREST RATES ALSO DECLINED. THE SNB HAS SET 6 PERCENT AS THE ANNUAL GROWTH TARGET FOR THE MONEY SUPPLY (M1) DURING 1976 BUT IS PREPARED TO MODIFY THIS POLICY IF THE ECONOMY RECOVERS MORE THAN EXPECTED. DECLINES

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BERN 00135 01 OF 02 131841Z

IN INDUSTRIAL PRODUCTION, RETAIL TRADE, AND TOURISM; AN

INCREASE IN THE NUMBER OF BUSINESS FAILURES; AND AN EXCESS SUPPLY OF HOUSING ALL INDICATE THAT SWITZERLAND IS STILL IN THE GRIP OF RECESSION. ON THE BRIGHTER SIDE, THE RATE OF INFLATION SLOWED AGAIN IN DECEMBER WHEN CONSUMER PRICES ROSE AT THE ANNUAL RATE OF ONLY 3.4 PERCENT, AND WHOLESALE PRICES DROPPED 4.9 PERCENT.

#### FINANCIAL

2. FOREIGN EXCHANGE AND GOLD: THE DOLLAR WAS UNDER HEAVY SELLING PRESSURE IN A HECTIC MARKET DURING THE FIRST HALF OF THE WEEK AND FELL TO A LOW OF SF 2.5870 ON JANUARY 6. FOREIGN EXCHANGE TRADERS, MANY OF WHOM HAD BEEN PREDICTING THE DOLLAR WOULD STRENGTHEN IN EARLY 1976, WERE UNSURE ABOUT THE CAUSES OF THE DOLLAR'S SUDDEN WEAKNESS. THE MOST COMMON EXPLANATION WAS THE DROP IN SHORT-TERM US INTEREST RATES. SWITZERLAND'S LOW RATE OF INFLATION (SEE BELOW) WAS MENTIONED AS A REASON FOR THE STRENGTH OF THE SF AGAINST ALL CURRENCIES. THE DM ALSO FELL, REACHING A LOW OF SF 99.55 ON JANUARY 6. HEAVY INTERVENTION BY THE SWISS NATIONAL BANK (SNB), WHICH WAS RUMORED TO HAVE TOTALED \$ 500 TO \$ 600 MILLION THIS WEEK, HELPED TO MEET THE DEMAND FOR SFS; WHILE THE DM RECOVERED ALMOST ALL OF ITS LOSSES BY FRIDAY, THE DOLLAR STAGED ONLY A PARTIAL COMEBACK AND FINISHED THE WEEK 145 POINTS BELOW THE OPENING. FOREIGN EXCHANGE TRADERS BELIEVE THE SNB'S INTERVENTION POLICY IS DESIGNED TO TRY AND KEEP THE DOLLAR ABOVE SF 2.60. UNCERTAINTY ABOUT THE IMF'S PLANS TO SELL PART OF ITS GOLD STOCK PRODUCED A MARKED INCREASE IN GOLD SALES THIS WEEK AND PRICES DECLINED. RATES AS FOLLOWS:

	1/5 (OPEN)	1/9 (CLOSE)
SPOT DOLLAR	SF 2.6225	SF 2.6080
FORWARD DISCOUNTS (PCT. P.A.)		
ONE MONTH	-2.9	-4.6
2 MONTHS	-2.9	-4.1
3 MONTHS	-2.9	-3.7
6 MONTHS	-3.1	-3.5
12 MONTHS	-3.1	-3.2
SF/DM	SF 100.03	SF 99.98
GOLD	\$ 140.25	\$ 136.25

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BERN 00135 01 OF 02 131841Z

3. CAPITAL AND MONEY MARKETS: THE SWISS CAPITAL AND MONEY MARKETS HAVE STARTED THE NEW YEAR MORE LIQUID THAN EVER; THE CALL MONEY RATE ON JANUARY 9 WAS DOWN TO 0.25 PERCENT. ON JANUARY 7 THE FOUR LARGEST SWISS BANKS CUT THE INTEREST RATES ON FIXED-TERM DEPOSITS BY 0.25 TO 0.5 PERCENTAGE POINT; THE NEW RATES ON 6-11 MONTHS DEPOSITS, AND 4.0 PERCENT ON DEPOSITS WITH A MATURITY OF ONE YEAR. THE CONFEDERATION PLANS TO OFFER INVESTORS A 15-YEAR BOND ISSUE

FOR SF 500 MILLION DURING THE PEGXOD JANUARY 11-22; THE COUPON HAS BEEN FIXED AT 6.25 PERCENT AND THE ISSUE PRICE WILL BE 98.5 PERCENT OF PAR. THE SNB HAS REVISED THE BOND MIX USED IN CALCULATING THE MEDIAN YIELD ON OUTSTANDING CONFEDERATION BONDS. A NUMBER OF BONDS WHICH WERE NEARING MATURITY HAVE BEEN DROPPED FROM THE MIX. SINCE THESE BONDS WERE ISSUED YEARS AGO AT VERY LOW INTEREST RATES, THEIR REMOVAL RESULTS IN A SLIGHT INCREASE IN THE MEDIAN YIELD AS COMPARED WITH PREVIOUSLY REPORTED YIELDS. UNDER THE NEW CALCULATIONS, THE MEDIAN YIELD WAS 6.0 PERCENT ON JANUARY 5 AND DROPPED TO 5.86 PERCENT ON JANUARY 9. THE SWISS STOCK MARKETS WERE VERY ACTIVE THIS WEEK AND PRICES CONTINUED TO RISE; THE SKA INDEX WENT FROM 197.8 (END 1959 EQUALS 100) ON DECEMBER 30 TO 202.9 ON JANUARY 9.

4. MONEY SUPPLY TARGETS: A COMMUNIQUE ISSUED BY THE SNB STATES THAT AS A RESULT OF THE RECESSION, THE MONEY SUPPLY (M1) DURING 1975 DID NOT REACH THE ANNUAL GROWTH TARGET OF 6 PERCENT. DESPITE AN EASING OF THE SNB'S MONETARY POLICY DURING THE YEAR, M1 EXPANDED BY ONLY 4.2 PERCENT IN THE FIRST TEN MONTHS OF 1975 AS COMPARED WITH THE SAME PERIOD IN 1974. THE SNB POINTS OUT THAT THE 1975 TARGET WAS BASED ON THE ASSUMPTIONS OF A 6 PERCENT NOMINAL GNP GROWTH AND A ZERO GROWTH IN REAL TERMS. IT NOW APPEARS, HOWEVER, THAT GNP GREW BY A NOMINAL 2 PERCENT WHILE REAL GNP FELL BY 4 PERCENT. UNDER THESE CIRCUMSTANCES, THE SNB FEELS THE SUPPLY OF MONEY WAS ADEQUATE LAST YEAR. IN ANTICIPATION OF A MODEST GROWTH IN REAL GNP DURING 1976, THE

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BERN 00135 02 OF 02 131947Z

43

ACTION EUR-12

INFO OCT-01 AF-06 IO-11 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

LAB-04 SIL-01 L-03 H-02 PA-02 PRS-01 /118 W

----- 078338

R 131350Z JAN 76

FM AMEMBASSY BERN

TO SECSTATE WASHDC 1965

INFO AMEMBASSY BONN  
 AMEMBASSY LONDON  
 AMEMBASSY PARIS  
 AMEMBASSY PRETORIA  
 AMEMBASSY ROME  
 USMISSION EC BRUSSELS  
 USMISSION OECD PARIS UNN  
 USMISSION GENEVA  
 USDEL MTN GENEVA UNN  
 AMCONSUL ZURICH

UNCLAS SECTION 2 OF 2 BERN 0135

DEPARTMENT PASS TREASURY AND FRB

SNB HAS AGAIN SET 6 PERCENT AS ITS ANNUAL GROWTH TARGET FOR M1. THIS RATE OF GROWTH IS INTENDED TO STEER A MIDDLE COURSE BETWEEN THE NEEDS OF AN EXPANDING ECONOMY AND THE DESIRE TO PREVENT A NEW WAVE OF INFLATION. SHOULD THE ECONOMIC UPSWING BE GREATER THAN EXPECTED, THE SNB IS PREPARED TO RECONSIDER ITS MONEY SUPPLY POLICY.

5. SNB STATEMENT OF ACCOUNT FOR DECEMBER: SIGNIFICANT ENTRIES IN THE SNB'S STATEMENT OF ACCOUNT FOR THE END OF 1975 ARE SHOWN BELOW. THE MAJOR CHANGES ARE DUE TO THE SNB'S END-OF-YEAR ASSISTANCE TO THE COMMERCIAL BANKS WHICH AMOUNTED TO SF 4,766 MILLION IN SHORT-TERM SWAPS AND SF 1,848 MILLION IN CREDITS.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BERN 00135 02 OF 02 131947Z

DEC. 31 CHANGE FROM NOV, 28  
 (MILLIONS OF SWISS FRANCS)

ASSETS

GOLD	11,892.7	-
F/X	14,705.8	UP 4,929.5
ROOSA BONDS	5,403.0	-
DISCOUNTED PAPER	1,711.9	UP 992.1
LOMBARD LOANS	200.2	UP 20.6
OTHER	1,052.4	UP 115.4

LIABILITIES

NOTES IN CIRCULATION	19,127.8	UP 840.7
GIRO ACCOUNTS	11,478.5	UP 5,608.6
RESERVES (FOREIGN LIAB.)	165.3	DOWN 4.4
OTHER	4,194.4	DOWN 387.3
BALANCE SHEET TOTALS	34,966.0	DOWN 6,057.6

ECONOMIC

6. INDUSTRIAL PRODUCTION: SWITZERLAND'S INDUSTRIAL PRODUCTION IN THE THIRD QUARTER OF 1975 WAS DOWN 14

PERCENT FROM A YEAR EARLIER. SINCE THE NUMBER OF INDUSTRIAL WORKERS HAS FALLEN ONLY 9 PERCENT OVER THIS SAME PERIOD, IT WOULD APPEAR THAT THERE HAS ALSO BEEN A MARKED DECLINE IN WORKER PRODUCTIVITY, PROBABLY AS A RESULT OF PUTTING SO MANY PEOPLE ON SHORT TIME. INDUSTRIAL ORDERS IN THE THIRD QUARTER OF LAST YEAR FELL BY 6.5 PERCENT COMPARED WITH THE PRECEDING QUARTER, AND BY 24.1 PERCENT COMPARED WITH THE CORRESPONDING PERIOD OF 1974.

7. RETAIL TRADE: IN NOVEMBER RETAIL SALES REGISTERED A YEAR-TO-YEAR DROP OF 9.0 PERCENT IN VALUE AND 10.8 PERCENT IN VOLUME. PRELIMINARY INDICATIONS FROM SOME OF THE MAJOR DEPARTMENT STORES, HOWEVER, INDICATE THERE WAS A SURGE OF CHRISTMAS BUYING IN DECEMBER.

8. BUSINESS FAILURES: THE NUMBER OF BANKRUPTCY FILINGS IN 1975 TOTALED 982 WHICH REPRESENTS AN INCREASE OF 59.4 PERCENT OVER 1974.

9. TOURISM: AFTER RECORDING A 7 PERCENT DECLINE IN THE UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BERN 00135 02 OF 02 131947Z

SUMMER OF 1974, THE NUMBER OF NIGHTS SPENT BY TOURISTS IN SWISS HOTELS FELL ANOTHER 4 PERCENT DURING THE SUMMER (MAY THROUGH OCTOBER) OF 1975. THE NUMBER OF FOREIGNER/NIGHTS WAS DOWN 3 PERCENT, AND THE NUMBER OF NIGHTS SPENT BY SWISS NATIONALS DROPPED 5 PERCENT. THE AVERAGE RATE OF OCCUPANCY SLIPPED FROM 45 TO 43 PERCENT.

10. HOUSING: ACCORDING TO DATA PUBLISHED BY THE UNION BANK OF SWITZERLAND (UBS), THE NUMBER OF VACANT DWELLINGS IN SWITZERLAND IS PRESENTLY ABOUT 80,000 OR ABOUT 12.7 VACANCIES FOR EVERY 1,000 RESIDENTS. THE UBS BELIEVES THIS EXCESS IS LIKELY TO DISCOURAGE INCREASES IN RENTS AND REAL ESTATE PRICES THIS YEAR.

11. CONSUMER AND WHOLESALE PRICES: THE CONSUMER PRICES INDEX FOR THE END OF DECEMBER WAS 165.0 (SEPTEMBER 1966 EQUALS 100) WHICH REPRESENTS A REDUCTION OF 0.1 PERCENT FROM THE NOVEMBER INDEX AND A YEAR-TO-YEAR INCREASE OF 3.4 PERCENT. THIS IS THE FIRST TIME THE INDEX HAS DECLINED FROM NOVEMBER TO DECEMBER SINCE 1960. THE AVERAGE INDEX FOR 1975 WAS 163.2 FOR AN AVERAGE ANNUAL INCREASE OF 6.7 PERCENT. THIS RATE OF INFLATION IS A CONSIDERABLE IMPROVEMENT OVER THE 9.8 PERCENT ANNUAL AVERAGE FOR 1974. THE WHOLESALE INDEX FOR DECEMBER WAS 146.2 (1963 EQUALS 100) WHICH WAS THE SAME AS THE NOVEMBER INDEX AND 4.9 PERCENT BELOW DECEMBER 1974. DAVIS

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC REPORTS, ECONOMIC DATA  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 JAN 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976BERN00135  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760012-0397  
**From:** BERN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760164/aaaacejx.tel  
**Line Count:** 275  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 6  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** mendozsm  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 19 JUL 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <19 JUL 2004 by castelsl>; APPROVED <28 SEP 2004 by mendozsm>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SWISS FINANCIAL AND ECONOMIC REPORT: WEEK OF JANUARY 4-10  
**TAGS:** EFIN, ECON, SZ  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006